RTO Insider

Your Eyes and Ears on the Organized Electric Markets

ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

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Exelon, Dominion Flex Muscles in State Capitols

Virginia Governor Signs Dominion Rate Freeze Bill

By Michael Brooks and Rich Heidorn Jr.

Virginia Gov. Terry McAuliffe signed a controversial bill last week that suspends the State Corporation Commission's reviews of Dominion Virginia Power's base rates for the next seven years, allowing the company to collect potentially hundreds of millions in excess profits.

Virginia General Assembly (Source: Virginia)

The bill (SB1349) was introduced by Sen. Frank Wagner (R-Virginia Beach), who has acknowledged that Dominion helped him write it. The bill freezes the utility's base rates for five years and prevents the SCC from conducting its biennial reviews until 2022. Dominion, however, would still be able to request increases for fuel and infrastructure costs.

Continued on page 19

Exelon-Backed Bill Proposes Surcharge to Fund Illinois Nukes

By Suzanne Herel

Exelon's year-long lobbying campaign has won bipartisan backing for a bill that would charge Illinois electricity users a fee to ensure continued operation of three nuclear generators that the company says are unprofitable.

The proposal could increase Commonwealth Edison and Ameren bills by $300 million a year, according to the Citizens Utility Board, a consumer watchdog group.

The Low Carbon Portfolio Standard (SB1585, HB3293), announced Thursday, came a week after the introduction of a dueling measure, the Clean Energy Jobs Bill (SB1485, HB2607), supported by environmental and consumer advocates.

Both proposals say they will increase renewable energy and jobs while lowering carbon emissions as required by the U.S. Environmental Protection Agency's Clean Power Plan. Both have bipartisan support.

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Impatient FERC Hints at Action on PJM-MISO Seams Disputes

By Chris O'Malley

The Federal Energy Regulatory Commission last week increased its pressure on PJM and MISO to resolve their longstanding boundary disputes, saying it was considering taking action "to improve the efficiency of operations" at the RTOs' seam.

Despite 12 years of joint meetings that have resolved some issues, the two RTOs remain locked in a standoff over issues such as interface pricing, which MISO Market Monitor David Patton says is costing consumers millions. At a presentation during FERC's Jan. 22 meeting, Patton asked the agency to help resolve the disputes.

On Tuesday, FERC ordered the RTOs and their market monitors to answer questions on eight unresolved issues by April 10 (AD14-3-000). The commission also indicated it is considering its own solutions to at least two of the issues.

Continued on page 21

New York PSC Bars Utility Ownership of Distributed Resources

By William Opalka and Rich Heidorn Jr.

New York's overhaul of the electric industry, which seeks increased reliance on distributed energy resources, will largely bar utility ownership of those assets.

The state Public Service Commission on Thursday took another step in its Reforming the Energy Vision process with a 133-page order establishing a "policy framework" for the development of markets for distributed

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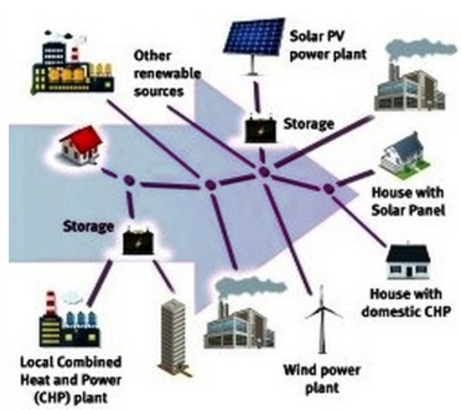

(Source: NYPSC)

Also in this issue:

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MISO NEWS

MISO Stakeholders Call for Seasonal Resource Construct; Cool to Mandatory Capacity Market

By Rich Heidorn Jr.

NEW ORLEANS — MISO stakeholders last week indicated widespread support for moving to a seasonal measurement of resource adequacy, with supporters saying it would improve reliability and efficiency.

MISO currently assesses resource adequacy annually, based on meeting the summer peak. But in a "hot topic" discussion at last week's Advisory Committee meeting, all sectors except the Power Marketers and Independent Power Producers indicated support in adopting, or at least studying, a change to allow seasonal products.

"Under the current annual construct, seasonal demand is unaccounted for, seasonal resource capability and availability (most notably gas) is not recognized and seasonal transmission differences are not taken into consideration," Manitoba Hydro, representing the Coordinating Sector, said in its written comments.

Flexibility

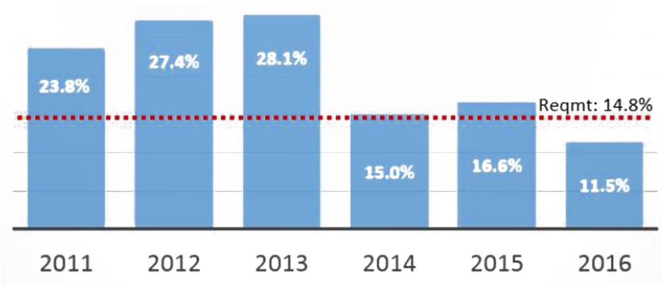
"An annual construct may result in reliance on resources when they are unlikely to be available and may underestimate the risk of loss of load other than at summer peak," the company continued. "In addition, lack of flexibility for load to procure capacity (or be forced to over-procure for all months of the year) to meet variable seasonal demand is simply less efficient and cost effective."

The company called not for a summer-winter construct but one that used four seasons, which it said would align with commercial contracts, financial transmission rights auctions and quarterly data submittals to the North American Electric Reliability Corp.

Steve Dahlke of the Great Plains Institute, representing the Environmental sector, said a seasonal construct would add more "granularity," capturing, for example, wind's increased production in the winter.

"We've seen wind resources helping out during this winter's events," he said, noting that wind generation set an all-time record Jan. 8, the peak demand day for the RTO this winter. He said it would also capture demand response not available in the summer.

The Transmission Dependent Utilities said a seasonal construct is "the most significant improvement" MISO could make to improve resource adequacy and urged MISO to implement it as soon as the 2016/17 planning year.



Forecast planning reserve margin (summer peak, MISO North/Central). (Source: MISO Summer Resource Assessments and MISO-OMS Survey)

"The concept of a seasonal construct has been raised in a number of different forums over the past few years; however, MISO's commitment to explore and pursue a seasonal construct still remains unclear," it said. "… Stakeholders in the Supply Adequacy Working Group (SAWG) are still waiting for MISO's views on this topic after formal discussions related to a seasonal construct began in early 2014."

No Immediate Help

The IPP sector, however, said that such a change would not help MISO address expected capacity shortages in MISO North and Central next year. It noted that MISO has indicated a transition to a seasonal product could not happen before the 2017/18 planning year.

The IPPs said they were reserving judgment on the concept and that no discussion should occur until MISO publishes a promised white paper examining potential risks and opportunities.

"The IPP sector remains concerned that MISO has already pre-committed publically to state regulators to moving to a seasonal resource adequacy construct and without a fully vetted stakeholder process," it said. "Such a process could prove lengthy, as already demonstrated when the current resource adequacy construct evolved from a monthly to an annual process. The MISO stakeholder process and regulatory process at [the Federal Energy Regulatory Commission] took almost four years before changes were accepted."

"I don't think it's a forgone conclusion that we should move to a seasonal construct," Dynegy's Mark Volpe, representing the IPPs, told the committee.

The Power Marketers, meanwhile, said the idea was a solution in search of a problem. "Resource adequacy must be achieved every day, so having less capacity committed to the footprint on any given day will only serve to reduce reliability," they said. "Subsequently, the economic efficiency of the energy market will suffer by reducing the number of resources that are available to be committed on a day-ahead and real-time basis."

Opposition to Mandatory Capacity Market

There was almost as much consensus among stakeholders in opposition to a move to a mandatory capacity market such as PJM's.

"MISO is not PJM," said Justin Joiner of Vectren. "The concerns there do not exist in MISO."

Alcoa and other members of the End-Use Customers sector also rejected the idea, also noting the differences between MISO, PJM, NYISO and ISO-NE.

"There has been a vibrant bilateral capacity market in place within the MISO footprint that has allowed end-use customers in MISO that do have retail choice (as well as municipal and cooperative electric utilities) the ability to contract for capacity at fixed prices at least three years into the future at reasonable prices significantly lower than in these other ISOs and RTOs," it said.

The Organization of MISO States said it

Continued on page 3

Year 1 Judged a Success for MISO South; Gains Limited by SPP Dispute

By Rich Heidorn Jr.

NEW ORLEANS — MISO officials last week called Year One of MISO South a success but acknowledged room for improvement in crisis communications and unfulfilled potential because of the ongoing dispute with SPP.

MISO said ratepayers of Entergy and other utilities that joined MISO in December 2013 received $730 million to $954 million in net benefits in 2014, including at least $160 million from more efficient generator commitment and dispatch and at least $570 million from deferred generation investments made possible by the increased footprint diversity.

MISO had estimated the benefits for the Entergy companies alone at $524 million.

The expansion boosted MISO's high-voltage transmission to almost 66,000 miles from 50,000 and its generation capacity to 177 GW from 133 GW.

Wayne Schug, vice president of strategy and business development, explained how MISO calculated its "value proposition" in a presentation to members last week.

The RTO said the entire footprint saw net benefits of $2.2 billion to $3.1 billion. Schug said the range reflects different assumptions that went into the calculations.

Load Shed, Tornado Highlight Need for Better Coordination

The southern expansion meant the RTO, accustomed to dealing with winter snow storms, also had to be prepared for extreme summer heat and hurricanes, said Todd Hillman, vice president of MISO South.

While the summer was mild and there were no severe hurricanes, officials said their emergency procedures were tested during several incidents.

On April 23, multiple forced outages led to post-contingent loading of more than 125% of system operating limits, with studies indicating 1,100 MW of load at risk for the next contingency.

MISO treated the situation as a temporary interconnection reliability operating limit (IROL) condition.

After redispatching generation, MISO directed Entergy to shed 150 MW of load. Entergy ultimately shed 163 MW for almost two and a half hours, avoiding a much larger load shed.

Entergy Arkansas' Mayflower substation, one of the three major substations serving the Little Rock area, suffered heavy damage in the April 27, 2014 tornado. The 500-kV high-voltage yard lost all of its switches and breakers. (Source: National Weather Service (left), Entergy (right))

Hillman said the incident highlighted a need to improve crisis communication with state commissions. "We could do a much better job of coordinating with the states," he said.

Four days later, on April 27, a tornado hit Northern Arkansas, cutting a half-mile-wide swath for about 80 miles with winds of more than 136 mph. Multiple 500-kV transmission lines were lost or damaged, and MISO ordered Entergy's Arkansas Nuclear One offline.

Hillman said the incident demonstrated the need for better coordination with nuclear units following severe weather events.

Another management challenge for MISO is the much larger qualifying facilities in MISO South, with some behind-the-fence industrial generators as large as 1,500 MW.

SPP Dispute

Officials said the ongoing dispute with SPP had limited the benefits of the larger footprint.

"I really hope we can resolve" the SPP dispute, said Director Michael Curran, who said their neighbor could help improve East/West transmission. "If we continue to take hostages … or create toll roads, we're really just undercutting the economic successes," he said.

MISO Board Chairman Judy Walsh said she and CEO John Bear attended SPP's January board meeting at the invitation of SPP Chairman Jim Eckelberger and later dined with the SPP board at Eckelberger's home. "I think that was a breakthrough of sorts in the relationship," she said. "The boards have developed a common goal of greater communication and cooperation and working together to make the seams more efficient."

She said MISO plans to return the invitation to SPP.

MISO Stakeholders Cool to Mandatory Capacity Market

Continued from page 2

opposed imposition of a downward sloping demand curve or a minimum offer price rule, or the elimination of fixed resource adequacy plans.

No 'Missing Money' Problem

"To the extent there is a 'missing money problem' in MISO it is negligible and addressing the supposed problem will provide little benefit to the vast majority of the footprint," OMS wrote. "For the majority of MISO generation — traditional, vertically-integrated, state-regulated generation — there is no missing money problem."

OMS also said it opposed a mandatory resource adequacy construct. "If the [Planning Resource Auction] were mandatory, it would be the sole arbiter of MISO capacity prices, not state and local regulators."

The IPPs called for both a sloped demand curve and a three-year forward commitment, saying that without them the "reliability of the grid is threatened."

"MISO neither has an efficient capacity market, nor has enough capacity to meet reserve requirements," they said. "This is not a coincidence."

MISO NEWS

MISO Advisory Committee Briefs

MISO Seeks to Broaden Pool of ADR Reps, Eliminate Paper Ballots for Board Elections

NEW ORLEANS — MISO plans a Tariff filing in March to create a pool of alternate representatives to serve on the six-member Alternative Dispute Resolution Committee. Deputy General Counsel Eric Stephens told the Advisory Committee the ADR panel can fall short of its four-member quorum in disputes that result in multiple recusals because of conflicts.

MISO lawyers also are drafting changes to language requiring elections of the Board of Directors be conducted at the annual meeting. In the last election, 7% of members voted via electronic ballots before the meeting — the highest response rate ever — said General Counsel Steve Kozey. MISO made paper ballots available at the meeting to comply with the current rules but no one used them, he said.

Kozey said MISO will make a FERC filing this summer to eliminate the need for the paper ballot "safety valve."

Consumer Reps Seek Funding for ROE Fight

Consumer representatives asked MISO to approve $200,000 in funding so that they can hire outside experts to help them in their bid to convince FERC to lower transmission owners' return on equity (EL14-12).


Kozey

Robert Mork, of the Indiana Office of Utility Consumer Counselor, representing the Public Consumer sector, said the group had used its own resources during settlement discussions but that it needs additional expertise now that the case has been scheduled for hearing. "We know how to litigate rate cases at the states; we do that all the time. But we don't know how to do it at FERC," he explained.

The consumers and other parties filed testimony in the case last week.

Kip Fox of American Electric Power questioned the need for the spending, saying there were nearly two dozen groups claiming to represent consumers in the docket.

"It's wonderful that others are involved, but we think we have a central role," Mork responded.

Fox said transmission owners would be essentially funding their opposition. Mork noted that utilities pay their lawyers and experts from revenues generated from retail ratepayers. In this case, he said, "it's a matter of the shoe being on the other foot."

Fox asked Kozey if the request might set a precedent for other groups seeking funding from MISO.

"Yes, and that's the problem," Kozey responded, saying the issue raises the question of what constitutes a "MISO expense."

Kozey noted that MISO got itself removed as a defendant in the case. "It's not our job to defend the transmission owners' ROE. Nor do we think it's our job to oppose" it, he said.

Kozey said stakeholder sectors will be given two weeks to file comments on the request.

"Absent stakeholder feedback, I would not be pushing my board" to authorize the payment, Kozey said.

3 Elected to Finance Subcommittee

The Advisory Committee elected three new members to the Finance Subcommittee: Venkata Bujimalla, manager of policy development for the Iowa Utilities Board (representing State Regulators); Marty Blake, a principal of The Prime Group who has represented Southern Illinois Power Cooperative and Hoosier Energy (representing Transmission Owners); and Mitchell Myhre, a manager of regulatory affairs for Alliant Energy (representing Municipals, Cooperatives and Transmission Dependent Utilities).

Advisory Committee Charter

Members approved a revised Advisory Committee charter with little discussion. The new charter reflects MISO's 2013 name change (replacing "Midwest" with "Midcontinent") and its increase to 10 sectors from nine.

'Hot Topic' Process Change?

Members assigned the Steering Committee to consider whether there should be a more formal procedure for organizing and conducting the Advisory Committee "Hot Topic" drafting team meetings.

The issue arose because of the intense interest in last week's "hot topic" on resource adequacy, which resulted in complaints that some people were being excluded from drafting the questions. (See related story, *MISO Stakeholders Call for Seasonal Resource Construct; Cool to Mandatory Capacity Market*, p. 2.)


Talberg

"We've expressed concerns that the framing of the questions can sometimes lead to a [policy] direction. The Advisory Committee is designed to be balanced by sector," said Alcoa Power Generating's Dewayne Todd, representative of the End Use Customers sector.

"It's increasingly becoming more of an issue," said Michigan Public Service Commissioner Sally Talberg. "It became abundantly clear there was a problem" on the resource adequacy issue.

"We see it as more of a one-time concern," said Great River Energy's Matt Lacey, who noted it is difficult to get members involved in planning most Hot Topic discussions.

The Steering Committee put the issue on its March agenda for discussion.

-- Rich Heidorn Jr.

MISO NEWS

MISO Board of Directors Markets Committee Briefs

Patton: Other Regions' TLRs Costing MISO

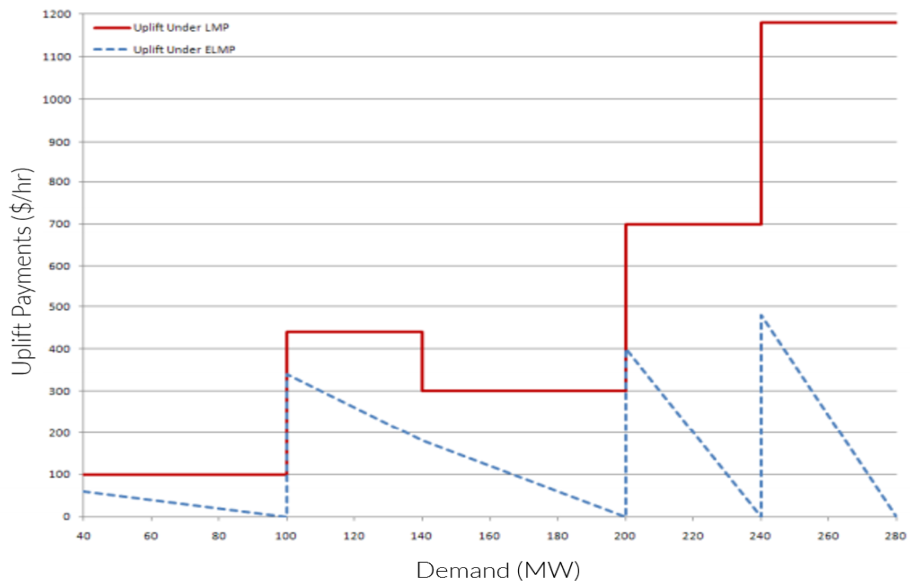
NEW ORLEANS — Independent Market Monitor David Patton told the MISO Board of Directors on Wednesday that MISO members are paying outsized premiums as a result of transmission loading relief actions (TLRs) called by neighboring SPP, PJM and the Tennessee Valley Authority.

Patton said day-ahead binding on a TVA flowgate caused more than half of the price divergence at the Michigan Hub and much of the premiums in Arkansas in January.

Binding constraints that result in TLRs "tend to be very costly to MISO," Patton said, blaming SPP TLRs for 20% of the congestion pricing at generator locations in January. Much of that was due to a single constraint that priced 10 times higher in MISO than in SPP, he said.

Patton said the problem should decline with the beginning of market-to-market coordination with SPP on Sunday and the introduction of Coordinated Transaction Scheduling with PJM. (See related story, *PJM MRC/MC Briefs*, p. 7). A joint operating agreement with TVA also would help, he said.

Patton said he will "investigate whether the TLRs are in all cases justified" and what else can be done to moderate price volatility.



Uplift: LMP vs. ELMP. Uplift rises each time a new unit is committed but does not rise dramatically at high levels of demand, because ELMPs are also rising. (Source: MISO)

Winter Forced Outage Rates Return to Normal

Forced outage rates have returned to typical levels during cold days this winter, with 15,000 to 18,000 MW out or derated, compared with more than 40,000 MW at the peak in January 2014, said Todd Ramey, vice president of system operations and market services.

Director Baljit Dail asked whether there was any evidence of generators improperly claiming outages to withhold supply.

"That is something that we are investigating," responded Patton, who said he would provide a report in March. "We are looking at some of those outages."

Board Considering Fewer Markets Committee Meetings

The Board of Directors is considering reducing its Markets Committee meetings from monthly to the seven times a year that the full board meets. MISO staff created a proposed schedule at Director Michael Curran's request.

"There is an opportunity to tighten up the agenda," Curran said.

"We tried to do it before, but the members said they like it every month," cautioned Director Paul Feldman.

The board will discuss the matter this month after getting stakeholder feedback.

Extended LMP Starts

MISO launched extended locational marginal pricing (ELMP) Sunday, a new calculation method that the RTO says will allow it to better capture fast-start gas turbines and emergency demand response in clearing prices.

It will allow fast-start resources that are either offline or scheduled at limits to set prices — previously impossible because of limitations in the RTO's algorithm. Emergency DR will also be able to set prices in the real-time energy and operating reserve markets.

MISO says the changes should minimize price spikes during shortages, provide more accurate price signals and reduce uplift charges.

Patton called it a "very important" initiative that should also allow price-responsive demand.

ELMP was one of four market changes introduced Sunday:

- Market-to-market coordination with SPP, which allows the two RTOs to use economic dispatch to improve the cost effectiveness of their congestion management along the seam. The Federal Energy Regulatory Commission approved the initiative in January (ER13-1864). (See *SPP, MISO Move Ahead on Flowgate Rules*.)
- DR will be allowed to provide multi-part offer curves and maximum regulating reserve and contingency reserve limits daily. It removes the host load zone association for some resources.
- External asynchronous resource (EAR) market participation: Market resources connected to the main MISO market by a direct-current tie, such as Manitoba Hydro, were previously able to offer only generation into the market. Now, a bidirectional EAR will allow participants to submit price sensitive bids and offers. It also will allow dispatch of flexible hydro facilities in response to changes in supply and demand.

-- Rich Heidorn Jr.

MISO NEWS

MISO Board of Directors Briefs

MISO Signs New Reliability Pact with SPP, TVA, SoCo

NEW ORLEANS — MISO last week signed a new Operations Reliability Coordination Agreement (ORCA) with its southern neighbors, increasing the flow limits within the MISO footprint.

MISO reached this agreement with SPP and the so-called "Joint Parties" — neighboring systems including Southern Co., Tennessee Valley Authority, Associated Electric Cooperatives, Louisville Gas & Electric, Kentucky Utilities and the PowerSouth Energy Cooperative.

Jennifer Curran

Jennifer Curran, vice president of system planning and seams coordination, told the Board of Directors that the new agreement, which was filed with the Federal Energy Regulatory Commission on Feb. 27, increases MISO's ability to flow from 2,000 MW to a total of 3,000 MW in the area (ER15-1141).

MISO said the signing of the new agreement will allow it and its neighbors to continue work on a long-term, market-based solution. The original ORCA was due to expire April 1. The new pact will expire on April 1, 2016, or earlier if FERC approves a replacement arrangement sooner.

MISO "continues to believe that current industry-wide reliability measures more than sufficiently protect system reliability and coordination," the RTO said in a statement. "However, MISO is pleased to have developed a cooperative agreement to accommodate the desire for greater experience for its neighbors."

No Rush on Review of Entergy Out-of-Cycle Tx Projects

The board will rule "no earlier than April" on Entergy's request for approval of six out-of-cycle transmission projects totaling $220 million, Director Michael Evans said. Evans said the board would begin its review this month.

Entergy's request for a $187 million transmission upgrade near Lake Charles, La., has become a lightning rod for transmission developers, who have accused the company of seeking an out-of-cycle designation to avoid opening the project to competition.

The Lake Charles project and five smaller out-of-cycle proposals failed to win unanimous support at the Planning Advisory Committee last month, setting up a "full" review by the board. (See *MISO Board to Review Entergy Lake Charles Project Following Stakeholder Pushback*.)

New MISO Chair Plans Changes on Governance; Higher Board Profile

Walsh

New MISO Board Chair Judy Walsh said last week she will seek a review of the RTO's governance principles while increasing the board's visibility with state regulators.

Walsh, a former Texas Public Utility Commissioner who took the gavel in January, said the RTO has "looked mostly inward" in the past but needs to increase its outreach because of challenges such as the Environmental Protection Agency's proposed carbon emission rule.

She asked Director Eugene Zeltman, chair of the Governance Committee, to review the term and role of the chair. "If the board will represent MISO before [the National Association of Regulatory Commissioners] and state regulators, perhaps more visibility and continuity may be desirable," she said.

Michael Curran

In the interim, she said, Director Michael Curran will continue to represent the board with outside parties, building on the relationships he developed during his recently completed two-year term as chairman.

Walsh asked the Governance Committee to review "all principles of governance," including stakeholder relations, conflicts of interest standards and the Nominating Committee process, saying she hoped to have changes ready for adoption by the end of the year.

She said MISO management "has challenged itself to look at all operations and processes [to] ensure we are consistent and that a policy adopted for one purpose does not get in the way of us accomplishing our overall goals."

She also said the Advisory Committee should consider reducing the number of subcommittees it has and the time spent in meetings.

MISO Names New Security Chief; Plans Additional Cybersecurity Spending

MISO will increase its technology budget "by a confidential amount" in order to eliminate the use of shared infrastructure between critical and non-critical assets, Director Baljit Dail said.

The spending is necessary to comply with tightened Critical Infrastructure Protection standards that will take effect in 2016.

The spending will be overseen by the RTO's newly appointed Chief Information Security Officer Mark Brooks, who joined the RTO several weeks ago.

Incentive Payout: 68.8%

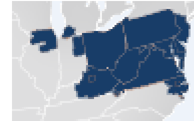
The board awarded MISO employees 68.8% of their potential incentive awards under its short-term incentive program for 2014.

The incentives are based on achievements measured against a weighted list of seven metrics: reliability standards, unit commitment efficiency, market efficiency, compliance with operations and capital spending budgets, customer satisfaction and strategic initiatives.

The board judged staff's performance "excellent" for capital budgeting and "mid-range" for most other measures.

-- Rich Heidorn Jr.

PJM NEWS



Change Proposed in PJM DR Modeling

PJM is proposing a change to the way it estimates demand response in its load deliverability analysis.

Current practice looks at the amount of DR that has cleared in the last Base Residual Auction to project DR available five years in the future.

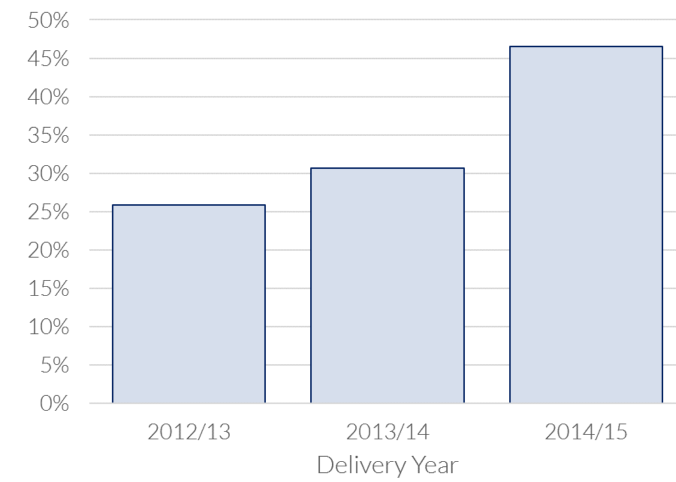
But Tom Falin, PJM manager of resource planning, told the Markets and Reliability Committee on Thursday that a significant amount of DR that clears the auction is replaced by other resources before the delivery year arrives. In the 2014/15 year, 46.5% of the DR assumed to be available had been replaced by non-DR resources.

"Our conclusion was that the assumption we've been making now for several years does not seem to produce an accurate forecast of DR," he said.

PJM proposes basing future forecasts on an average of the final amount of committed DR for the most recent three years. The average would be expressed as a percentage of the zone's 50/50 summer peak forecast for application to future years' demand.

The model will take into account committed DR that is obligated to respond in an emergency, not all registered DR, Falin said.

Members agreed that the proposal is an improvement over the current model but that it likely would need to be modified in the future.



Percentage of cleared demand response before delivery year. (Source: PJM)

The MRC and the Planning Committee will be asked to endorse the revisions at their March meetings.

PJM MRC/MC Briefs

Markets and Reliability Committee

PJM to Drop Fees for Tx Projects under $20M

VALLEY FORGE, Pa. — PJM will not charge transmission developers fees on any projects estimated to cost less than $20 million under a revised proposal it plans to file with the Federal Energy Regulatory Commission.

FERC last month rejected an earlier proposal that would have assessed a $30,000 fee on all greenfield transmission proposals and transmission owner upgrades of $20 million or more.

The commission said the proposal was discriminatory because PJM failed to show that the costs of studying upgrades under $20 million would be different than the costs of studying greenfield projects with similar costs (ER15-639). (See *FERC Rejects Fee on Greenfield Transmission Projects*.)

"We think it makes most sense to refile the proposal … with the change that there would be no fees for any projects under $20 million, and that would eliminate the concern that FERC had raised," Steve Herling, vice president of planning, told the Markets and Reliability Committee.

The committee will be asked to endorse the proposed revisions at its next meeting.

MRC Greenlights PJM/MISO Scheduling Product

The MRC on Thursday endorsed the creation of a new, optional Coordinated Transaction Scheduling product intended to reduce uneconomic power flows between PJM and MISO. There were two abstentions but no objections.

Under CTS, traders can submit "price differential" bids that clear when the price difference between MISO and PJM exceeds a threshold set by the bidder.

The product is expected to be implemented by November 2016, said Becky Carroll, PJM manager of real-time operations. PJM and MISO would evaluate traders' bids individually, and the commonly cleared set would be the transactions that flow.

Thursday's endorsement was just the start of several approvals of the Joint Operating Agreement. PJM and MISO also will be adding details of their forward-price projection methodology, and stakeholders will have to approve the accuracy of the pricing models.

The product is similar to the one launched Nov. 4 with NYISO. Of that initiative, Carroll said, "We're definitely seeing more participation than we expected. We thought market participants would be slow in getting comfortable with the product."

Unlike NYISO, MISO does not currently post look-ahead prices, but it expects to introduce a calculating mechanism by the end of 2015.

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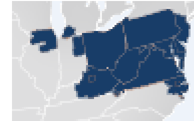
PJM NEWS



Maryland Gov. Nominates Republican Leader to PSC

By Michael Brooks

Meetings of the Maryland Public Service Commission may get a lot livelier if Gov. Larry Hogan's pick to replace Lawrence Brenner is confirmed.

Michael L. Higgs Jr. (Source: Shulman Rogers)

Hogan nominated Montgomery County Republican Party Central Committee Chairman Michael L. Higgs Jr., an attorney with Shulman Rogers specializing in telecommunications and media regulations.

Higgs is an unabashed conservative who has used his now-deactivated Twitter account to compare President Obama's advisor Valerie Jarrett to Rasputin and speculate that former Secretary of State Hillary Clinton had disappeared for several weeks to receive a facelift.

Higgs would be joining a commission that has been one of the most outspoken defenders of the Environmental Protection Agency's proposed carbon emission rule.

Hogan submitted Higgs for state Senate approval on Feb. 20 to replace Brenner, a former administrative law judge with the Federal Energy Regulatory Commission whose five-year term expires June 30."I'm thrilled with the trust that the governor has placed in me and I look forward to serving the people of Maryland once I'm confirmed," Higgs told the *Gazette*.

The Rockville resident is a graduate of the University of Maryland, with a bachelor's in government and politics, and received his law degree from the George Washington Law School.

While attending law school, he worked for several firms where he gained experience learning the rules and policies of the Federal Communications Commission. At Shulman Rogers, Higgs' clients include Internet service providers and radio and TV broadcasters. According to his LinkedIn profile, Higgs has no experience in the electricity industry.

In November's gubernatorial election, Republican Hogan beat Democrat Lt. Gov. Anthony Brown, a big upset in a state where Democrats outnumber Republicans 2-1.

Higgs did not respond to requests for comment.

PJM MRC/MC Briefs

Continued from page 7

Manual Changes Approved

The MRC approved the following Thursday with no opposition:

- Manual 02: Transmission Service Request — Changes clarify and more accurately describe the Available Transfer Capability (ATC) processes and the Initial Study process for long-term firm transmission service requests. They include a grammatical cleanup; updated references to the Joint Operating Agreement; and links to the deliverability analysis in Manual14A and Manual 14B.
- Manual 14A: Generation and Transmission Interconnection Process — Adds Feasibility Study data form and Impact Study data form so that developers can more easily see data requirements.
- Manual 14B: PJM Regional Transmission Planning Process — Updated to reflect existing long-term deliverability analysis procedures and cleanup language regarding voltage drop analyses, generator deliverability analyses, load deliverability analyses and cost allocation. Revisions make no changes to upgrades or cost allocations.
- Manual 40: Training and Certifications Requirements — Revisions resulting from the annual review required by North American Electric Reliability Corp. standard PER-005-2; includes a new section on training of operations support personnel.

Members Committee

TOs Propose Cost Allocation Change

PJM's Transmission Owners are proposing a change to the way costs are allocated for reliability projects that are included in the Regional Transmission Expansion Plan due only to an individual Transmission Owner's planning criteria.

The revision to Schedule 12 of the PJM Tariff, presented at Thursday's Members Committee meeting, clarifies that such costs will be allocated to the local Transmission Owner. If the project is required by regional criteria from PJM, it will be subject to regional cost allocation.

The change was recently announced by the Transmission Owners Agreement Administrative Committee.

Historically, the application of TO planning criteria has resulted in lower voltage projects. However, that has evolved to include criteria more stringent than required by PJM, due to aging infrastructure and storm hardening, which necessitate more significant investment.

-- Suzanne Herel

ISO-NE NEWS

New England States Combine on Clean Energy Procurement

By William Opalka

Three New England states are combining their buying power to purchase clean energy resources and transmission to deliver it.

Connecticut, Massachusetts and Rhode Island on Wednesday released a draft request for proposals (RFP), starting a 30-day comment period. The states will issue the final RFP, which will seek power purchase agreements totaling more than 2,300 GWh of renewable energy per year, this spring.

"The joint procurement process opens the possibility of procuring large-scale projects and transmission to deliver clean energy on a scale that no single state could secure on its own," Connecticut Gov. Dannel Malloy said in a statement.


Malloy

The RFP will seek bids on new Class I renewable energy projects of at least 20 MW and large-scale hydro power projects that were constructed after Jan. 1, 2003. Class I includes wind, solar, small hydro, biomass and fuel cells.

The draft RFP seeks power that can be delivered with and without transmission upgrades.

Bids received will be evaluated by the combination of host utilities, state energy and environmental departments, and other officials. ISO-NE will be asked to provide high-level advisory information.

Under their state laws, Connecticut is seeking 1,500 GWh per year of qualified energy and Massachusetts 817 GWh. Rhode Island has no specific quantity.

"This solicitation is broader in scope and geography than those state-specific legal requirements and therefore, certain aspects of this RFP may require legislative and/or regulatory action in order to ensure cost recovery for certain types of proposals," the document states.

The New England States Committee on Electricity, which includes all six states, is not directly involved in this process. The proposal notes NESCOE staff helped draft the RFP but will not select potential projects. NESCOE is pursuing natural gas infrastructure projects to provide that resource to its members.

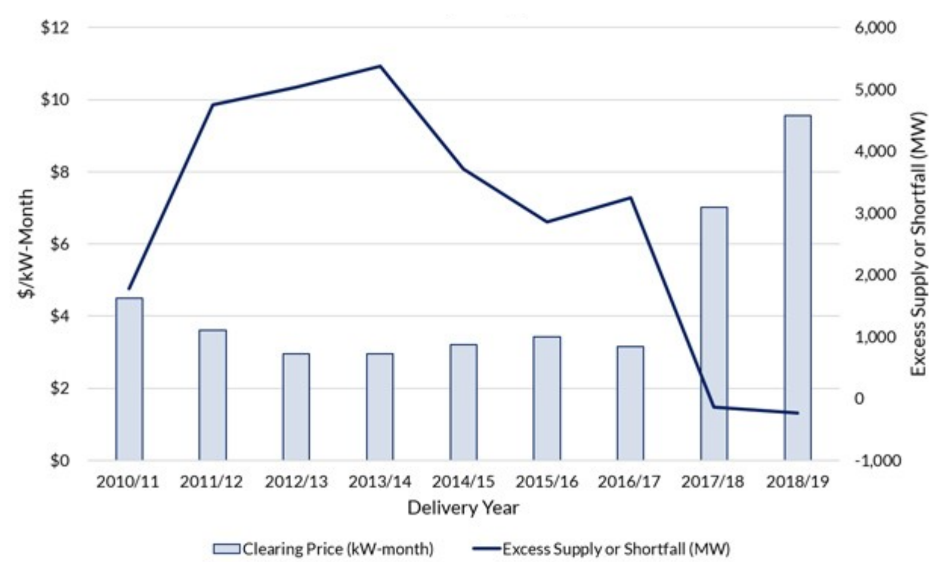
ISO-NE Files Capacity Auction Results; Comments due April 13

ISO-NE filed the results of its ninth Forward Capacity Auction with the Federal Energy Regulatory Commission on Friday, starting the clock on a 45-day comment period (ER15-1137).

The RTO said 34,695 MW of capacity was acquired region-wide in the Feb. 2 auction, including more than 1,400 MW of new resources needed to help replace generators that have recently retired or will retire in the next few years. The total cost for the 2018-2019 commitment period is about $4 billion, up more than one-third from the $3 billion for the 2017-2018 commitment period. (See Prices up One-Third in ISO-NE Capacity Auction.)

The RTO cleared at $9.55/kW-month outside of the Southeastern Massachusetts/Rhode Island (SEMA/RI) zone, where a shortage of resources triggered administrative pricing rules that resulted in a price of $17.73/kW-month for new resources and $11.08/kW-month for existing resources.

ISO-NE's capacity auction results are subject to commission review under the just and reasonable standard, the result of a 2006 settlement to address stakeholder concerns over New England's market design. Objections to the auction results must be filed with FERC by April 13.



ISO-NE Forward Capacity Auction results. (Source: ISO-NE)

The results of FCA 8 became effective as an "operation of law" in September when the commission — then short one member — deadlocked 2-2 over whether to reject the results due to unchecked market power. (See FERC Commissioners at Odds over ISO-NE Capacity Auction).

COMPANY NEWS

Iberdrola Broadens Northeast Footprint in $3B UIL Deal

By William Opalka

Iberdrola SA announced Thursday it is acquiring UIL Holdings, which has electric and gas distribution companies in Connecticut and Massachusetts, in a cash and stock deal valued at $3 billion.

The Spanish energy conglomerate will incorporate UIL's operations into its U.S. subsidiary, Iberdrola USA.

UIL shareholders will each receive one share of Iberdrola USA and $10.50 for each of their UIL shares, giving them 18.5% of the U.S. subsidiary. Iberdrola SA will own 81.5% of Iberdrola USA, which will be traded on a yet-to-be-determined U.S. exchange.

UIL unit United Illuminating provides electric service to Connecticut's two largest cities, New Haven and Bridgeport. UIL also owns Southern Connecticut Gas, Connecticut Natural Gas and Massachusetts utility Berkshire Gas. UIL acquired the gas units from Iberdrola in 2010 for $1.25 billion.

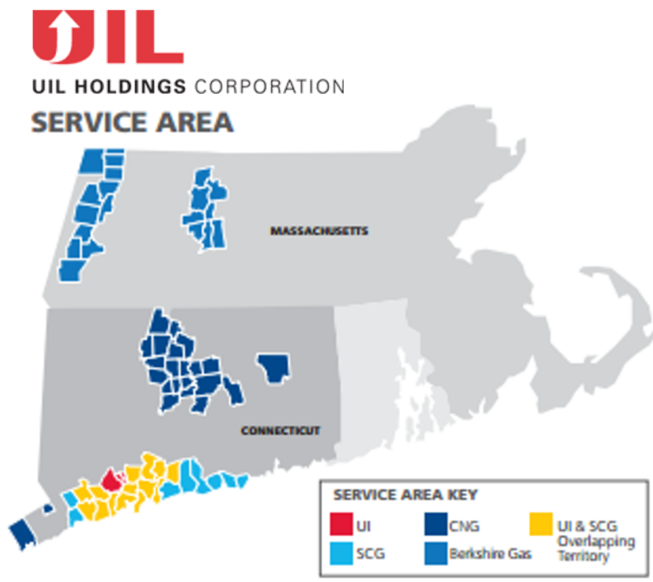
The deal implies a share price of $52.75, a 25% premium to UIL's closing share price on Wednesday.

Iberdrola USA already owns New York State Electric and Gas, Rochester Gas & Electric and Central Maine Power, with a combined 3 million customers.

UIL CEO James P. Torgerson will become Iberdrola USA's new CEO. Iberdrola said Torgerson will select a U.S.-based leadership team from among UIL and Iberdrola USA executives.

Torgerson and two other UIL directors will join Iberdrola USA's board, which will have up to nine members.

In earnings reported two weeks ago, Iberdrola highlighted U.S. operations in New York and New England as one of its bright spots as it coped with lower Spanish subsidies for its renewable energy operations.



(Source: UIL Holdings)

It is also one of the leading wind energy companies in the U.S., with operations in about 20 states.

UIL Holdings has about 700,000 customers. The deal is expected to close later this year.

The agreement, which has been unanimously approved by both companies' boards of directors, must be approved by the Connecticut Public Utilities Regulatory Authority, Massachusetts Department of Public Utilities, Federal Energy Regulatory Commission, Department of Justice, Federal Trade Commission and Committee on Foreign Investment in the United States.

The combined company intends to invest $6.9 billion in regulated electric and gas infrastructure and other capital expenditures over the next five years.

Niagara Mohawk, Public Systems Reach ROE Settlement

By William Opalka

Niagara Mohawk Power has agreed to reduce its return on equity in a settlement with groups representing public power and municipal utilities.

If accepted by the Federal Energy Regulatory Commission, the settlement would reduce the ROE in Niagara Mohawk's transmission service charge to 10.03% from the current 11.5%. The new rate would be backdated to Nov. 2, 2012, resulting in a refund of $3.16 million.

The Municipal Electric Utilities Association of New York, the New York Association of Public Power and Niagara Mohawk, a unit of National Grid, filed the settlement with FERC last week.

The settlement arose from complaints filed by the associations against the transmission owner and NYISO claiming that the current rate was too high (EL12-101, EL13-16 and EL14-29). FERC consolidated the cases and an administrative law judge facilitated negotiations.

Niagara Mohawk building in Syracuse, N.Y.

The case began in September 2012, when the public power association filed complaints to reduce the current 11.5% ROE to 9.49%, including a 50-basis-point adder for participation in NYISO. The municipal utilities filed a similar complaint two months later seeking to reduce ROE to 9.25%, also including the participation adder. Last year, the public power group filed another complaint seeking a further reduction from its original complaint to 9.36%, citing the fall in interest rates.

The groups gained leverage in the negotiations last June, when FERC ordered a new ROE formula and tentatively set the "zone of reasonableness" at 7.03% to 11.74%. (See *Report: PSEG, AEP, FE at Risk under New Returns on Equity Rates*.)

COMPANY NEWS

DC Consumer Advocate Seeks Delay in Exelon-Pepco Proceedings

Antitrust Group Seeks DOJ Action

By Ted Caddell

D.C.'s consumer advocate asked the Public Service Commission last week for more time to respond to Exelon's sweetened offer in its proposed $6.8 billion acquisition of Pepco Holdings Inc., saying Exelon's Feb. 18 filing is a "procedural mess." If granted, a final decision from the PSC could be delayed until fall.

Exelon submitted an updated filing with data responses and hundreds of pages of testimony shortly after announcing it would more than double the customer credits to D.C. ratepayers to $33.75 million. (See Exelon Sweetens the Deal for DC in Pepco Takeover.)

In a joint filing with the Apartment and Office Building Association of Metropolitan Washington on Wednesday, the Office of People's Counsel complained that Exelon's filing doesn't point out the differences between it and its original submission. The OPC is asking to file its responses — due March 18 — in April, with a May 26 deadline for any supplemental testimony.

"Due process, fairness and the need for a clean evidentiary record must prevail over corporate expedience," the OPC said.

Exelon has said it expects approval from the two remaining authorities it still needs, Maryland and the District, by the third quarter.

Exelon said last week that it will oppose the delay. "The six-week extension that the commission recently granted is more than adequate, and the request for additional time is unwarranted," Exelon spokesman Paul Adams said.

The PSC has scheduled hearings for late April into June. If it grants the OPC request, hearings probably wouldn't start until June, with a final decision from the PSC in September or October.

Antitrust Institute Weighs In

Also last week, the president of the American Antitrust Institute asked the U.S. Department of Justice to block the merger or impose mitigation measures.

"A merged Exelon-Pepco would possess an enhanced ability and pre-existing, powerful incentive to engage in vertical foreclosure and block entry by rivals," wrote AAI President Diana Moss in a letter to Assistant Attorney General William J. Baer on Wednesday. "If unaddressed through antitrust remedies, the proposed merger stands not only to harm competition and consumers but also to reverse some of the gains from restructuring."

Adams said the organization's complaint was without merit. "These same allegations were already considered and rejected by the Federal Energy Regulatory Commission, which approved the merger."

RTO Insider reported in December that the Justice Department was investigating the interconnection process in PJM's MAAC sub-region as part of its anti-trust review of the acquisition. (See DOJ Probing Interconnection Process in Exelon-Pepco Merger.)

AAI says it advocates on behalf of consumers to "challenge abuses of concentrated economic power."

Although the Exelon-Pepco deal has already gained the approval of regulators in Virginia, New Jersey and Delaware, "the state settlements that we have seen so far do not produce any additional remedies that give us the comfort level we need that a merged Exelon-Pepco would not be able to exercise their market powers," Moss said in an interview.

If Exelon acquires Pepco, "you will now have a bigger transmission owner, sitting on a pretty substantial pile of generation," she said. "The problem is, if you control the network, and you also own generation, you have the ability and the incentive to frustrate access by competing developers."

Pepco Q4 Earnings Down; Up for Year

Pepco reported fourth-quarter earnings of $35 million ($0.14/share), a drop from the $58 million ($0.23/share) it earned for the same period last year.

Earnings for the year were up, however, rising to $242 million ($0.96/share) from $110 million ($0.45/share) in 2013.

Pepco CEO Joseph M. Rigby attributed the increase in annual earnings to higher electric distribution and transmission revenue. The decrease in fourth-quarter earnings compared with 2013 was due to higher operation, maintenance and depreciation expenses, he said.

Because of the company's pending acquisition by Exelon, it provided no earnings guidance for 2015.

CEO Crane: Solar Puts NRG Ahead of the Curve

By Michael Brooks

NRG Energy will continue to focus on its residential solar and renewable energy technology businesses, despite posting losses of $53 million and $163 million in those units respectively in 2014, company executives said in an earnings call Friday.

Those losses — and another $981 million in losses in the "corporate" segment, which includes international business and electric vehicle services — were offset by net income of more than $1 billion in NRG Business, the unit that primarily serves businesses and includes the company's generation assets. Total net income for the company in 2014 was $134 million ($0.23/share), compared to a loss of $386 million in 2013.

CEO David Crane said the industry was undergoing a paradigm shift, and that the company's investments in renewables now would pay off in the long run.

"Our industry is in the early but unmistakable stage of a technology-driven disruption of historic proportion," Crane told investors Friday. "This disruption ultimately is going to end in a radically transformed energy

Continued on page 12

COMPANY NEWS

Ameren Earnings Up; Sees Tx Growth Despite ROE Case

By Chris O'Malley

Ameren reported a 30% jump in fourth-quarter earnings and said it expects future growth from new transmission projects, even as federal regulators consider lowering the rate of return on such investments.

The St. Louis-based company reported net income of $48 million ($0.20/share) compared with $37 million ($0.15/share) during the fourth quarter of 2013.

Electric revenues grew 19% to $360 million in Illinois, due in part to increasing residential and industrial demand, while falling 3% to $692 million in Missouri.

For the year, earnings soared to $586 million ($2.40/share) from $289 million ($1.18/share) in 2013, when the costs of the divestiture of its deregulated power generation unit crimped results.

On a continuing operations basis, net income in 2014 was $587 million ($2.40/share) versus $512 million ($2.10/share) in 2013.

"We delivered strong earnings growth in 2014," Ameren CEO Warner Baxter told analysts during a Feb. 25 conference call. "I am pleased with the progress we made last year."

Current Year Growth

Executives said they expect 2015 earnings to rise to between $2.45 and $2.65 per diluted share. Diluted earnings per share from continuing operations are expected to grow at a 7 to 10% compound annual rate.

Those estimates assume the Missouri Public Service Commission's approval of the company's request for a $190 million annual rate increase. A decision is expected by May.

Ameren expects a higher average estimated rate base of $1.4 billion in 2015 compared to $900 million in 2014.

Transmission Potential

Transmission services revenues in 2014 increased to $33 million from $19 million in 2013.

Last fall, MISO industrial customers filed a complaint contending that the MISO transmission operators' current base return on equity — 12.38% except for American Transmission Co. — is too high. Industrials argue the base ROE for TOs including Ameren should not exceed 9.15%.

Ameren said it has established a reserve for the potential ROE reduction. Although the amount wasn't disclosed, the company assumed a scenario similar to what the Federal Energy Regulatory Commission set last June involving New England TOs — a 7.03 to 11.74% "zone of reasonableness."

Ameren officials said the ROE decision may not come until 2016. Regardless, Baxter said the company sees "robust opportunities" in additional transmission projects. He noted that not only does Ameren's territory sit on the seams of multiple RTOs but that there are a number of local reliability projects that could be explored.

"We see meaningful investment opportunities in the transmission businesses," Baxter added.

The biggest current transmission project for Ameren and its Ameren Transmission Co. of Illinois subsidiary is the nearly 400-mile Illinois Rivers project, a 345-kV line crossing the Mississippi River that will head east to nearly the Indiana border. It's estimated to cost about $1.4 billion.

Ameren is also eyeing about $1 billion in local reliability projects for completion by 2019.

CEO Crane: Solar Puts NRG Ahead of the Curve

Continued from page 11

industry where the winners are going to be those who offer their customers, whether they be commercial, industrial or individual customers, a seamless energy solution that is safer, cleaner, more reliable, more convenient and increasingly wireless."

According to Kelcy Pegler Jr., president of NRG Home Solar, the company ended 2014 with 13,000 total residential solar customers, 9,000 of which were gained that year. NRG has a goal of adding 22,000 to 27,000 more by the end of 2015.

"It's our view at NRG that traditional centralized energy service models are significantly at risk," said Steve McBree, president of NRG Home, the parent of Home Solar. "We believe that the future eventually will belong to demand-driven decentralized models of service that empower individual consumers."

Responding to an analyst's question about upcoming Environmental Protection Agency regulations on carbon emissions from existing power plants, Crane said NRG was not worried. "As long as the rules imposed are imposed in a fair and reasonable way, tightening environmental regulations actually enhance us relative to our competition," he said. According to its year-end earnings filing with the Securities and Exchange Commission, the company has a goal to reduce its carbon emissions 90% by 2050.

Q4 Results

The company posted a $119 million profit for the fourth quarter of 2014, after reporting a $297 million loss in the same period of 2013.

Analysts were less than thrilled, however. The quarterly earnings amounted to 21 cents per share, far less than the average estimate of analysts surveyed by Zacks Investment Research of 93 cents.

Zacks said NRG's Goal Zero product, a portable solar panel used to charge mobile devices, would attract more customers and help it retain existing ones, but that the company's reliance on weather conditions was concerning. During the call, Chief Operating Officer Mauricio Gutierrez said, "The recent cold front in the northeast once again proved the value of our diversified portfolio, where unlike gas generation, our coal and oil assets benefited from spikes in gas and power prices. Our strategy is to extend the life of our assets and maintain a cheap option in energy that can benefit from short-term dislocations in the market like the ones we experienced the past two winters."

COMPANY BRIEFS

Pipeline Protesters Arrested Outside Dominion HQ

Ten people protesting the 550-mile Atlantic Coast Pipeline project were charged after blocking the entrance to Dominion Virginia Power's Richmond headquarters last week.

About 50 protestors said they object to the proposed pipeline that would supply customers in North Carolina with shale gas from West Virginia. "This proposal would be a dangerous investment in fossil fuel infrastructure at a time when the scientific consensus is clear that we must invest in renewables, such as wind and solar, to avoid further warming of our planet," said Whitney Whiting, a protester from Newport News, Va.

Nine were charged with traffic obstruction, and another was given a misdemeanor citation for disorderly conduct.

More: TheBayNet.com

Exelon Seeks More Water for Limerick Plant

The Delaware River Basin Commission will consider at its March 10 meeting whether to allow Exelon to increase the amount of water the Limerick nuclear plant may draw from the Schuylkill River on days when the air temperature is 87 F or higher.

Exelon's request seeks to make permanent the temporary permission it was given Aug. 19 to boost the amount of water it can use on hot days by 3.3 million gallons, from 44 million. The company said recent repairs that increased the efficiency of its closed circuit cooling water system led to the loss of more water through evaporation.

Exelon addressed concerns about taking too much water out of the river during heat waves, when river levels are at their lowest, by seeking permission to add water upstream. That would ensure against higher water temperatures dissolving oxygen and harming aquatic life downstream, according to the company.

The plant's Unit 1 was out of service for three days last week after a main steam isolation valve closed unexpectedly. The Nuclear Regulatory Commission said the unit shut down without any further problems. Unit 2 was not affected by the event.

More: The Mercury; The Express-Times

Ameren Illinois Pres. Named One Of Top Business Leaders by Mag

Richard J. Mark, president of Ameren Illinois, was named one of the top business leaders by *African-American Career World* magazine.

"The executives on our inaugural list of top African-American business leaders were selected for their business acumen, leadership and vision to drive their company's success, often during difficult times," said Joann Whitcher, editorial director of Equal Opportunity Publications.

Mark oversees utility distribution operations to more than 1.2 million electric customers and 812,000 natural gas customers. He has led the company on a 10-year, $3.5 billion upgrade program.

More: Ameren

SunEd's Maine Wind Energy Project Gets Environmental Staff Approval

The staff of a Maine environmental permitting appeals panel recommended upholding approval of SunEdison's Bingham Wind project.

Maine's Department of Environmental Protection in September granted a permit for the 62-turbine, $398 million project in western Maine, but activists appealed the decision. The staff of the Board of Environmental Protection, which hears appeals of the regulatory agency's actions, said that the company's plan was financially sound and recommended approval.

The board could rule on the final permit application March 5.

More: Bangor Daily News

NRG Home Solar Expands Into North Carolina

NRG Home Solar, fast becoming one of the largest residential solar companies in the U.S., is moving into the North Carolina market.

"North Carolina is an ideal market for solar and specifically for residential solar where we see significant untapped market potential throughout the state," said Kelcy Pegler Jr., president of NRG Home Solar. The company is offering homeowners solar systems with zero-money down financing. It will open an office in Charlotte this spring.

More: NRG Home Solar

Clean Line Energy's Rock Island Project Faces Appeal of ICC Ruling

Landowners and Commonwealth Edison are appealing the Illinois Commerce Commission's approval of Clean Line Energy's $2 billion Rock Island Line transmission project.

The proposed 3,500-MW direct-current line would deliver wind-generated power to Illinois from Iowa, Nebraska and South Dakota. The 500-mile line is the first merchant-owned transmission project approved by the ICC.

More: The Times

Heavy Snowfall in Carolina Causes 200,000 Duke Energy Outages

A rare heavy snowfall in North Carolina last week left more than 200,000 Duke Energy customers without power.

Up to 10 inches of thick, heavy snow caused outages in the upper third of the state. The lack of sunlight and weight of the snow on trees caused limbs to break and fall on power lines. The company worked into the weekend to restore service.

More: News & Observer

JCP&L Planning $267 Million on System Improvements This Year

Jersey Central Power & Light said it will spend $267 million on transmission and distribution improvements this year, including a new transmission line in Middlesex County.

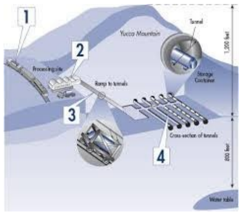
Among the projects planned are nearly $6 million in distribution circuit upgrades, $24 million in tree trimming, and money for planning and constructing a 230-kV transmission line in Monmouth County. JCP&L's reliability record has been a recent target of regulators and consumers. (See related brief under New Jersey, p.16.)

More: JCP&L

-- Compiled by Ted Caddell

FEDERAL BRIEFS

Lawmakers Allege Fed Agencies Planning Other Uses for Yucca



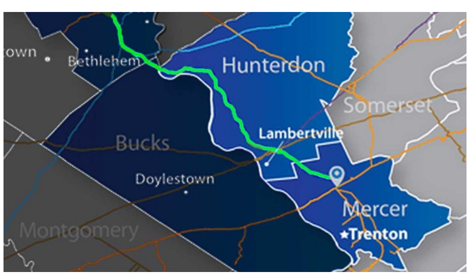
Three Republicans, including the chairman of the House Energy and Commerce Committee, say they are concerned that federal agencies are making plans to use the Yucca Mountain site for something other than a nuclear waste repository.

Reps. Fred Upton of Michigan, John Shimkus of Illinois and Tim Murphy of Pennsylvania — all proponents of the waste site plan — told Energy Secretary Ernest Moniz that they heard the Department of Energy and the Defense Threat Reduction Agency (DTRA) have "discussed the possibility of conducting activities at or near the Yucca Mountain site that are not related to the statutorily required uses for the site."

The agency denies it is looking at the site for testing activity. "The Defense Threat Reduction Agency has never used the Yucca Mountain site for any testing activity, and we have no plans to do so in the future," a spokesman said. The department declined comment.

More: *Energy & Commerce Committee*

PennEast Pipeline Opponents Want FERC to Grant More Speaking Time



A Federal Energy Regulatory Commission public scoping meeting in New Jersey on the proposed $1.2 billion PennEast natural gas pipeline ended at 11 p.m. with 22 people still waiting to speak, spurring a call on FERC to extend the public comment period.

"People stayed for five hours," Hopewell Township Committeeman Kevin Kuchinski said at the meeting in Ewing, N.J. "They want to be heard."

A FERC spokeswoman said the hearing was concluded because of time limits on the rented venue, and that the public could submit written comments. The proposed 104-mile pipeline, which would transport gas from Pennsylvania's Marcellus Shale region to a pipeline interconnection in New Jersey, has drawn opposition on both sides of the Delaware River.

More: *NJ.com*

Vt. Joins Petition to Ask NRC to Examine Vermont Yankee Finances

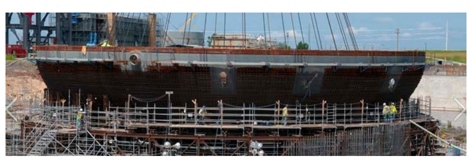
Vermont is the latest entity to join a petition before the Nuclear Regulatory Commission to investigate the finances of the Entergy unit overseeing the decommissioning of the Vermont Yankee reactor.

"While Vermont Yankee recently disconnected from the electric grid, there are a number of immediate and long-term activities that will occur at the plant that could affect the safety of Vermonters," Vermont's motion to join the petition reads. Entergy has asked the NRC for permission to reduce emergency plans for the site and indicated that money to fund decommissioning activities is limited.

The attorneys general of Massachusetts and New York have filed similar petitions. The plant was shut down in December.

More: *MassLive*

NRC Inspecting Damage to Summer Unit 2 Caused by Workers



Summer Unit 2's bottom head under construction. (Source: SCANA)

The Nuclear Regulatory Commission sent inspectors to SCANA's under-construction Summer Unit 2 in South Carolina after workers accidentally damaged the reactor containment vessel bottom head last month.

Workers from Chicago Bridge & Iron were cutting reinforcement bar when they accidentally cut into the containment vessel itself. The actual damage appears to have been "minor," but the NRC said it wanted to make sure it understands its potential impact and "the apparent breakdown in controls that might have prevented it."

SCANA says that Unit 2 will be completed in the first half of 2019, with Unit 3 following a year later.

More: *PowerMag*

Petition Calls for Security Upgrades At Entergy's Pilgrim Nuclear Plant

Two watchdog groups are petitioning the Nuclear Regulatory Commission to modify or suspend the operating license of Entergy's Pilgrim nuclear generating station near Plymouth, Mass., until the plant's security is upgraded.

Pilgrim Watch and Cape Downwinders cited recent warnings about possible terrorist activity and noted the plant experienced 10 trespassing incidents in the past three years. They also noted the station's dry cask spent fuel storage is only about 175 feet from Cape Cod Bay. "Granted, the probability of attack is very small, but the consequences are very large," said Mary Lampert, director of Pilgrim Watch.

Entergy spokeswoman Lauren Burm said the company recently upgraded its signage to warn beachgoers they are subject to arrest if they stray onto the plant's property. "Entergy takes the security of our power plants and the safety of our employees and the communities in which we operate very seriously," she said.

More: *Patriot Ledger*

-- Compiled by Ted Caddell

State Briefs

ILLINOIS

Story on ComEd Contributions Spurs Call for Investigation

A state senator called for an investigation of Commonwealth Edison after the *Chicago Tribune* reported that the utility spent $60 million in ratepayer money over seven years on politically influential charities.

"The allegations in the *Tribune* article are serious and call for immediate action," state Sen. Dan Duffy said in a letter to Attorney General Lisa Madigan. "ComEd should be required to disclose these contributions to ratepayers. At best, ComEd shareholders, not ratepayers, should bear the burden of funding these contributions."

A 1987 law allows ComEd, the state's largest utility, to pass on the cost of its charitable contributions to ratepayers. The *Tribune* article listed instances where some charities that received ComEd assistance were in the position to aid it.

More: *Chicago Tribune*

County Uses Dresden's Cooling Pond Water to Battle Ice

Warm water from Dresden nuclear plant is being used to melt down ice flows on the Kankakee River to prevent flooding and damage to homes and docks.

The Will County Emergency Management Agency has devised a system to siphon the 70 F water into the Kankakee River. "The warm water from Dresden's pond helps break up the ice so it can flow freely downstream," said Harold Damron, the agency's director.

More: *GenerationHub*

INDIANA

Challenges to NIPSCO's $1.1 Billion Modernization Plan Heard in Court

In a case before the state Court of Appeals, the Office of Utility Consumer Counselor and a group of industrial customers are challenging Northern Indiana Public Service Co.'s $1.1 billion electric modernization plan as too costly.

"These plans can cost ratepayers hundreds of millions, even billions, of dollars," said Utility Consumer Counselor David Stippler. The Utility Regulatory Commission approved the plan in 2013, which would be funded by yearly rate increases that will total 4.9% by 2020.

A NIPSCO attorney said the improvements are necessary. "The commission determined the plan is beneficial to consumers, and no one has disputed that," said Brian Paul. The court decision could affect improvement plans proposed by other state utilities.

More: *The Times*

KENTUCKY

Kentucky Power Appeals PSC Ruling on 'Unreasonable' Fuel Costs

Kentucky Power is appealing a Public Service Commission order requiring it to refund $13 million to customers after the commission determined some of its fuel costs last year were unreasonable.

The American Electric Power subsidiary says the commission disallowed charges associated with having both the Mitchell power plant and Big Sandy Unit 2 in operation simultaneously. Kentucky Power said it was necessary to run both units in Louisa to maintain system reliability and to meet demand, especially during last winter's polar vortex.

Big Sandy Unit 2 is being retired later this year.

More: *WOWK TV*

MICHIGAN

City Upset that DTE Rate Hikes Would Kill LED Lighting Incentive

The city of Ypsilanti says a proposed DTE Energy rate increase for LED street lighting, combined with a cut in charges for conventional sodium-vapor streetlights, would undermine the incentives that prompted the city to spend $500,000 last year to convert its streetlights to the more efficient LED technology. DTE's proposal would increase the cost of powering a 65-W LED bulb from $138 to $154 a year, while the cost of running a 100-W sodium bulb would drop from $184 to $129. "If this rate hike happens, we'll really feel like this was a bait and switch," said Ypsilanti City Council Member Brian Robb.

The utility said the old LED rate was experimental. "As we gained more experience with LED technology, we changed the pricing to reflect a more complete understanding of the costs associated with it," said DTE spokesman Scott Simons.

More: *MLive*

University Report IDs Ways State Could Improve Fracking Oversight

A University of Michigan report suggested the state take a number of steps to strengthen its oversight of hydraulic fracturing, including better monitoring of surface and groundwater and mandating more emergency planning by natural gas exploration companies.

The recommendations were included in a 277-page report compiled by scientists, lawyers and other University of Michigan faculty. "The purpose of the study is to pull together a massive amount of information and analyze the options in a way that is clear, so the state can look at these options and decide which if any they might want to adopt," said Sara Gosman, one of the report's authors.

More than 12,000 fracked wells have been drilled in Michigan since the late 1940s, but high-volume fracking of deep shale deposits is a new phenomenon. Michigan has 13 producing wells in the Utica-Collingwood shale formation, but drilling companies have leased hundreds of other sites.

More: *PennEnergy*

Continued on page 16

STATE BRIEFS

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MISSISSIPPI

CEO Warns Kemper Ruling Could Result in Rate Hikes of 35%

Mississippi Power CEO Ed Holland said a state Supreme Court ruling that orders the company to refund customers $271 million for plant construction costs will almost certainly lead to higher rates.

Holland, in a *Sun Herald* op-ed, said the court's ruling effectively voids a plan the company and the Public Service Commission developed to keep down rate hikes associated with construction of the Kemper County integrated gasification combined-cycle plant. "If the court's opinion stays in place and the refund is required, we will have little choice but to seek at least the original estimated amount of approximately 35% in rate increases," he wrote.

The court threw out a PSC decision to allow $281 million in rate recovery for costs associated with the plant's construction. The court said the PSC never found that the funds were "prudently incurred," a requirement for recovery. Mississippi Power is challenging the court ruling.

More: *Sun Herald*

MISSOURI

PSC Approves Ameren's Efficiency Plan Allowing 2013 Recovery

The Public Service Commission approved a settlement that determined Ameren Missouri's energy efficiency programs saved 347 GWh in 2013. The amount will determine how much money the utility can recover from ratepayers.

Ameren had claimed that its program saved nearly 400 GWh. The Office of the Public Counsel estimated the savings at 300 GWh. They settled on 347 GWh.

More: *St. Louis Today*

NEBRASKA

2nd Judge Signs Injunction Against Keystone XL Eminent Domain

A York County District Court judge became the second state judge to grant an injunction halting TransCanada's use of eminent domain to secure a route for its controversial $8 billion Keystone XL Pipeline.

The judge ruled in favor of a group of landowners who are challenging a state law that gave TransCanada eminent domain powers to build its crude-oil pipeline to Gulf Coast refineries and terminals.

"I know the war is not won yet, but it's a start," property owner Susan Dunavan said after the ruling.

More: *Journal Star*

NEW JERSEY

Rate Counsel Endorses $107M Cut In JCP&L's Revenues in Rate Case

The Division of Rate Counsel has endorsed a decision by an administrative law judge that would force Jersey Central Power & Light to cut rates by $107 million, saying that the utility's reliability record is poor.

The Rate Counsel argued that the company had earned profits in excess of the amount allowed by the Board of Public Utilities. About 90% of its customers were left without power after Hurricane Sandy.

"JCP&L customers have suffered poor reliability too long and should be provided a remedy immediately," the Rate Counsel argued.

More: *NJ Spotlight*

NORTH DAKOTA

Hearing Scheduled for New Power Plant near Williston

The Public Service Commission will hold a hearing this week on the proposed $161 million expansion of the Pioneer Generation Station near Williston to meet growing electricity demands from the state's oil and gas industry.

Basin Electric said the proposed expansion is needed to meet a forecasted 1,600-MW increase in load by 2035. The company wants to add 12 reciprocating gas-fired internal combustion engines generating up to 111 MW.

More: *Grand Forks Herald*

OHIO

PUCO Rejects AEP's Guaranteed Income Plan for Coal Plants

The Public Utilities Commission last week rejected American Electric Power's request for a guaranteed income for two of its coal-fired plants, saying the proposal wasn't in the best interest of ratepayers.

While PUCO rejected the proposal, it ruled that the power purchase agreement was legal. That gave AEP a kernel upon which to press forward with a similar request for other plants. It has argued that customers would benefit from supply stability if the plants received a guaranteed rate. Critics say its proposal would represent a retreat from market-rate pricing.

"Further delays in deciding this issue will postpone our customers' ability to take advantage of the financial benefits of what we proposed," AEP Ohio President Pablo Vegas said in a statement. "We will work with the PUCO to address their outstanding issues with our problems."

More: *Columbus Business First*

Rumors Surround Porter's Move To PUCO, Johnson's Tenure


Porter

Gov. John Kasich's choice of Andre Porter, the state commerce director, to fill a vacancy on the Public Utilities Commission has sparked speculation that Chairman Tom Johnson's reign may be ending.

Some observers wonder why Porter, who served previously on the commission, would want to make the move back to PUCO if he wasn't angling for the chair. Johnson, who has been the commission's chair for less than a year, has faced several controversial issues, including proposals to guarantee prices for merchant power and a legislative proposal to freeze the state's renewable and energy efficiency standards.

The governor's office did not comment on his plans for the commission.

More: *Columbus Business First*

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STATE BRIEFS

Continued from page 16

PENNSYLVANIA

PUC Orders FE's Pennsylvania Companies to Give More Details on Improvement Plan

The Public Utilities Commission ordered FirstEnergy's four companies in the state — Met-Ed, Penelec, Penn Power and West Penn Power — to provide more details on how they intend to address issues raised in a PUC management audit.

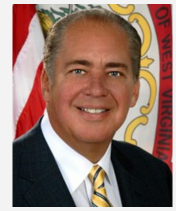
The PUC's Bureau of Audits identified 28 areas of improvement in the companies' management practices that could produce one-time efficiency savings of $19.2 million and annual savings of up to $3.8 million. The PUC said FirstEnergy's response was short on specifics and directed the company to devise a more detailed implementation plan.

"Because we have received similar responses to previous audit recommendations in the past with little meaningful improvement, it is imperative that FirstEnergy develop more robust responses to these recommendations," Commissioner James H. Cawley said in a motion approved by the commission.

More: PUC

WEST VIRGINIA

Tomblin Vetoes Net Metering Bill, Solar Advocates Applaud



Tomblin

Gov. Earl Ray Tomblin vetoed a bill that would have prohibited utilities from subsidizing solar customers by charging other ratepayers for costs associated with installing and administering solar net-metering systems.

Solar advocates said the bill would have allowed utilities to raise costs for owners of solar installations, reducing incentives for renewable power.

"This bill was fatally flawed," said Rhone Resch, president and CEO of the Solar Energy Industries Association. "Did it end up that way for political reasons? Or was it a case of sloppy drafting? Whichever the case, Gov. Tomblin did the right thing by vetoing the bill and sending it back to the drawing board."

More: *GreenTech Media*

-- Compiled by Ted Caddell

New York PSC Bars Utility Ownership of Distributed Resources

Continued from page 1

energy resources (14-M-0101).

The framework envisions utilities serving a central role in the transition as distributed system platform (DSP) providers, responsible for integrated system planning and grid and market operations.

In most cases, however, utilities will be barred from owning distributed energy resources (DER): demand response, distributed generation, distributed storage and end-use energy efficiency.

The planning function will be reflected in the utilities' distributed system implementation plan (DSIP), a multi-year forecast proposing capital and operating expenditures to serve the DSP functions and provide third parties the system information they need to plan for market participation. The first plans will be due Dec. 15 from Central Hudson Gas & Electric, Consolidated Edison of New York, Orange and Rockland Utilities, Rochester Gas & Electric, New York State Electric and Gas and Niagara Mohawk Power. (See timeline, next page.)

Grid Integration

From their place between NYISO wholesale markets and market participants and end-users, the utilities will integrate distributed resources by balancing supply and demand-side resources through real-time load and network monitoring, enhanced fault detection, automated feeder and line switching, and automated voltage and reactive power control.

"It is anticipated that over time, DSPs will increasingly rely on [distributed resources] to maintain reliable system operations during both 'blue sky' days and significant system events," the order said.

Markets

The plan envisions procurement evolving from a near-term approach based on requests for proposals and load-modifying tariffs to "a more sophisticated auction approach."

Although there will be room for geographically unique products, there will be a standard market platform for the entire state to ensure efficiency for providers and multi-site customers. "This requirement extends beyond the 'common look and feel' of customer orientation, into the technical protocols and market rules to which aggregators and service providers must conform," the PSC said.

NYISO could accept demand reduction bids directly from DER providers, dispatching demand-side reductions in competition with supply-side resources, or accept bids from a utility acting as an "aggregator of aggregators." Alternatively, utilities could use contracted DER to modify its load shape when it bids into the wholesale market to serve its load.

"Demand is becoming an integral resource

Continued on page 18

New York PSC Bars Utility Ownership of Distributed Resources

Continued from page 17

in the operation of the grid and we have to change regulation to do that," PSC Chair Audrey Zibelman said at the commission meeting.

Utility Ownership

To address market power concerns, the commission said that utility ownership of distributed resources "will be the exception rather than the rule."

"Because of their incumbent advantages, even the potential for utility ownership risks discouraging potential investment from competitive providers," the order said. "Markets will thrive best where there is both the perception and the reality of a level playing field, and that is best accomplished by restricting the ability of utilities to participate."

The commission said utility ownership would be permitted under three exceptions:

- Energy storage integrated into distribution systems. "Storage technologies integrated into grid architecture can be used for reliability and to enable the optimal deployment of other distributed resources, and we agree with staff that this application of storage technology should be permitted without the need for a market power analysis. REV will support a greater understanding of how storage strategically used on the grid can support greater penetration of intermittent renewable resources without compromise to system reliability. It will be advantageous for utilities to gain this experience and, as part of their DSIP plans and rate plans, utilities should develop information on optimal locations and levels of storage either on the system or behind the customer's meter."
- Projects enabling low- or moderate-income residential customers to benefit from DER where markets are not likely to satisfy the need. "This potential is particularly acute in the case of rental customers that cannot control improvements to premises."
- Demonstration projects. "We recognize that demonstration partnerships with utilities and third parties can accelerate market understanding and the development of sustainable business models. In limited circumstances, utility investment and ownership of assets to support such demonstrations is warranted."

"In the limited situation that utilities will be allowed to own DER as a regulated asset, they will be restricted to recovery of their actual costs," the commission said.

Timeline for New York's 'Reforming the Energy Vision'

04/01/15	Staff initiates process to refine utility codes of conduct.
05/01/15	Deadline for utilities to identify one or more portions of their system that require upgrades but are amenable to non-wires alternatives.
	Deadline for comments on microgrids.
	Staff files guidance for energy efficiency transition implementation plans.
	Staff issues a proposed benefit cost framework.
06/01/15	Staff issues a straw proposal on Track Two ratemaking revision.
	Staff issues a large-scale renewable options paper.
07/01/15	Staff issues consumer protection proposal.
	Utilities file status reports on interconnection process improvements.
	Utilities file proposed demonstration projects.
	Market Design Platform Technology group issues report.
07/15/15	Utilities file energy efficiency transition implementation plans.
08/03/15	Staff issues guidance for distributed system implementation plans.
09/01/15	Staff reports to the commission regarding distributed generation emission rules.
	Staff reports to the commission regarding billing initiatives.
12/15/15	Utilities file initial distributed system implementation plan.
02/01/16	Staff files energy efficiency best practices guide.

Consumer Protections, Energy Efficiency

To increase penetration of energy efficiency, utilities will also be required to expand their programs — currently based on direct rebates and subsidies — to include third-party companies. "The state's greenhouse gas reduction goals demand that we achieve significantly more efficiency than is practical to achieve through current ratepayer-funded direct subsidy programs," the commission said.

The commission said it will protect consumers by requiring certification of any DER provider that requests consumer data, or that furnishes services via DSP or other utility functions. "Warranty and disclosure requirements will also be considered," the commission said.

The steps are consistent with the draft State Energy Plan, which calls for the use of markets and reformed regulatory techniques to improve system efficiency and customer empowerment and reduce carbon emissions, the PSC said.

"By requiring utilities to modernize their business models and meet evolving customer demands, New York is committed to forging a new path to develop a dynamic, customer-oriented power grid able to drive clean energy markets to scale," Richard Kauffman, chairman of energy and finance for New York, said in a statement.

Two Tracks

The proceeding was separated into two tracks, with Track One focused on developing distributed resource markets, and Track Two on reforming utility ratemaking.

The PSC's staff says that utility financial incentives should be structured "to reward utilities for the efficient development of DER on their systems in a manner that either makes them indifferent to ownership, or favors ownership by third parties." Staff will provide a straw ratemaking proposal by June 1.

In related orders Thursday the PSC also:

- Approved the first community choice aggregation pilot program in New York. It will allow Westchester County municipalities to issue solicitations for natural gas or electricity supplies for local residents and small businesses (14-M-0564).
- Stayed its December decision that restricted how customers with multiple locations could participate in net metering programs and postponed its rule requiring utilities to file new tariffs to resolve concerns about how such customers are compensated. The ruling, which gives renewable energy developers and utilities more time to transition away from existing net metering rules, means solar projects already under way will be eligible to receive net metering credits (14-E-0151, 14-E-0422).

Virginia Gov. Signs Dominion Rate Freeze Bill

Continued from page 1

The freeze locks Dominion's base rates at a level that the commission concluded in November 2013 was resulting in $280 million a year in excess profits.

"This bill is the result of strong collaboration among bipartisan legislative leaders and General Assembly members along with business, consumer, community and environmental groups," Dominion said in a statement. "As a result, Dominion Virginia Power customers will see a rate cut and long-term rate stability."

The "rate cut" is a reference to an early reduction in Dominion's fuel cost surcharge. Bills for typical residential customers will drop by 5.5% in April rather than July, as previously scheduled. Commercial customers will see bills drop about 7% and industrials will save 10%.

The bill passed both houses of the General Assembly last month with bipartisan support, with the Senate voting 32-6 and the House of Delegates voting 72-24. (See *Bill Halting Dominion Rate Reviews Passes Va. Legislature*.)

Legislative Sway

The lopsided votes were typical of the treatment Dominion receives in the Virginia legislature.

During the 2015 legislative session, Dominion helped defeat a cap-and-trade proposal, legislation that would have prevented the utility from erecting power lines in parts of Haymarket, Va., and a bill that would have limited Dominion's ability to conduct surveys on property owners' land for its proposed Atlantic Coast Pipeline, according to the Associated Press.

In addition to the rate freeze, Dominion also won continuation of a coal-related tax credit.

"Nobody does it better," Democrat state Sen. Adam Ebbin told the AP. "Unfortunately consumers don't have full-time, highly paid lobbyists."

Political Contributions

Dominion is perennially a top campaign contributor in Virginia, which has no limits on the size of donations.

In 2014-15, according to the Virginia Public Access Project, Dominion contributed $744,540 — more than any other donor aside from party and candidate campaign committees. The company's contributions were more than double that of the second-ranked Virginia Bankers Association. (See chart).

Dominion's political donations are almost evenly split between Republicans and Democrats, with the largest contributions going to statewide candidates and legislative leaders. McAuliffe campaign committees have received $160,000 from Dominion since 2013.

Rank	Amount	Donor
1	$744,540	Dominion (Richmond)
2	$348,694	Va. Bankers Assn. (Glen Allen)
3	$298,918	Alpha Natural Resources (Abingdon)
4	$280,500	Bailie, Robert W (Mechanicsville)
5	$271,154	Verizon (Richmond)
6	$268,500	Altria (Richmond)
7	$267,241	Va. Beer Wholesalers Assn. (Richmond)
8	$235,000	Verizon Communications Inc. (New York, NY)
9	$226,590	Firefighters - International Assn. (Washington, DC)
10	$222,161	Comcast (Philadelphia, PA)

Top 10 Virginia campaign contributors for 2014-15. Excludes party and candidate committees. (Source: Virginia Public Access Project)

Wagner's campaigns have collected more than $38,000 from the utility since 2000.

Dominion also courts allies through its charitable arm, the Dominion Foundation, which gives away about $15 million annually. Three groups that testified in favor of the bill — Senior Connections, the American

Continued on page 20

Exelon-Backed Bill Proposes Surcharge to Fund Illinois Nukes

Continued from page 1

Exelon says its plan would ensure the operation of the state's nuclear power plants, which produce nearly half of Illinois' power, provide more than 5,900 jobs and represent $9 billion in economic impact.

"There is simply no way Illinois will achieve meaningful carbon reductions and meet the EPA goals without preserving our current nuclear fleet," said state Rep. Larry Walsh Jr., a Democrat who represents many nuclear plant workers in his Will County district and co-sponsored HB3293.

Walsh told the *Chicago Tribune* that the final proposal likely would represent a compromise bill hammered out with the proponents of the Clean Energy Jobs Bill. He could not be reached for comment on Friday.

That bill and its companion were introduced by state Sen. Don Harmon and Rep. Elaine Nekritz, both Democrats.

Clinton nuclear plant (Source: Exelon)

"If we can raise the energy efficiency standard to 20% and raise the renewable portfolio standard to 35%, we can create 32,000 new clean energy jobs every year," Harmon said in introducing his bill. "The potential for Illinois if we act is great — and at the same time, the risk if we fail to act is enormous."

The Exelon legislation was drafted in response to a 269-page, House-commissioned report released Jan. 8 that presented options to improve the finances of Exelon's nuclear power plants. (See *Illinois Considering Carbon Tax, Cap-and-Trade to Save Exelon Nukes*.) Exelon's lobbyists began making a push for state backing of its nuclear fleet last March. (See *Exelon in Lobbying Push to Save Ill. Nukes*.)

Under the proposed legislation, beginning next year, 70% of the electricity delivered by ComEd, which is owned by Exelon, and Ameren would have to be generated by "clean-energy" sources: solar, wind, hydro, nuclear, tidal, wave and clean coal.

The fee to customers would fund low-carbon energy credits that would be auctioned by the Illinois Power Agency.

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Virginia Gov. Signs Dominion Rate Freeze Bill

Continued from page 19

Red Cross and the Better Housing Coalition — each received donations from the foundation in 2013, the *Richmond Times-Dispatch* reported.

"No single company even comes close to Dominion in terms of its wide-ranging influence and impact on Virginia politics and government," University of Virginia political analyst Larry Sabato told the *Times-Dispatch*.

'Concessions' for McAuliffe

McAuliffe

McAuliffe (D) said that he negotiated directly with Dominion Resources CEO Thomas Farrell II, at the latter's request, while the bill was being debated in the General Assembly. McAuliffe asked the company to accept several proposed amendments as a condition for his support, the governor told reporters at the state Capitol on Wednesday, the day after he signed the bill.

"When this bill was introduced, I expressed concerns about several of its provisions," McAuliffe said in a statement. "However, after working with the General Assembly to make several key changes, I have concluded that this legislation represents a net positive benefit to Virginians and to our economy."

Those changes include encouraging the utilities to invest in up to 500 MW of solar generation and requiring them to implement energy-assistance programs for low-income, elderly and disabled ratepayers. The solar project was already planned, but the announcement was accelerated to win environmentalists' support, the *Times-Dispatch* reported.

Rate 'Certainty'

Wagner

Wagner said the purpose of the bill was to provide stability while the U.S. Environmental Protection Agency's proposed rule on carbon emissions from existing power plants is being finalized. In a statement, Wagner praised McAuliffe for signing "a clear and unmistakable, bipartisan call for electric rate certainty during this time of regulatory turmoil."

Virginia would be forced to reduce its emissions by 38% under the proposed EPA rule. Dominion, which has said it could have to close coal-fired power plants worth up to $2.1 billion as a result, agreed to cover the cost if the plants close before 2020.

While base rates are frozen, the suspension of biennial reviews means customers won't get refunds if the company's profits exceed what was approved by the SCC. Normally, the commission can reduce base rates if profits are judged too high for two consecutive reviews.

Dominion paid $78.3 million in refunds after its 2011 review. The SCC also reduced the company's return on equity to 10.9%, down from 12.5% (PUE-2011-00027).

In 2013, the commission found that Dominion's annual revenues were $5.15 billion, $280 million more than the $4.87 billion needed to recover its cost of service and earn a fair return. The SCC reduced the company's ROE further to 10% but did not order refunds (PUE-2013-00020).

The rate freeze bill signed last week also requires all electric utilities in the state to file their integrated resource plans annually. Previously, utilities were required to file them every two years.

It was amended to apply to American Electric Power subsidiary Appalachian Power as well, though its review suspension period begins and ends earlier.

The bill starts Dominion's suspension period on Jan. 1, so the SCC can conduct its rate review of the utility for the past two years. Originally, the suspension would have begun in 2013 and lasted until 2023.

Because of the freeze, SCC spokesman Kenneth Schrad said, the commission won't be able to adjust base rates regardless of what the review finds, although there could be a partial refund of any over-earnings.

However, he noted that while the 2011/12 review suggested that base rates might be higher than necessary, the 2014 General Assembly passed legislation allowing the company to recover an estimated $600 million in expenses it incurred exploring the possibility of a third nuclear unit at North Anna.

"Allowing that recovery to be included in the coming biennial review more than likely ensures that the company's earnings fall within the authorized range," he said.

Exelon-Backed Bill Proposes Surcharge to Fund Illinois Nukes

Continued from page 19

The system would result in an average $2/month surcharge to electricity bills, not to exceed a 2.015% annual increase compared with 2009 rates. It would sunset at the end of 2021, or earlier if the state is in compliance with the EPA's program.

While Exelon has said the legislation is needed to save the nuclear plants it maintains are struggling — Byron, Quad Cities and Clinton — the bill does not require the company to keep them open even if the new standard is adopted.

Critics of the power company's proposal point to a *Crain's Chicago Business* study of Exelon's Securities and Exchange Commission filings that concluded its nuclear fleet is profitable. Exelon has declined to open its books to prove its contention.

"Exelon has made more than $20 billion in profits over the past decade, its overall nuclear fleet is profitable — and consumers have already paid for those plants several times over, from when the facilities were owned by ComEd," said David Kolata, executive director of the Citizens Utility Board. "The solution to Illinois' energy issues requires a much more comprehensive and long-term plan than Exelon's proposal, which would raise ComEd and Ameren electric bills by an estimated $300 million a year."

Exelon Senior Vice President Joseph Dominguez addressed the profits issue in an interview with Northern Public Radio.

"No one from Exelon has ever denied that the company is profitable. It is," he said. "What we're talking about is the profitability of units that are persistently losing money and our inability to keep those units open unless we recognize the important attributes that they provide."

Gov. Bruce Rauner, a Republican who took office in January, has not taken a public stance on the bills. His office did not respond to a request for comment.

Impatient FERC Hints at Action on PJM-MISO Seams Disputes

Continued from page 1

FERC Solutions?

On the issue of capacity deliverability, the commission told the RTOs to identify "any reliability problems associated with modeling capacity in each RTO as a single product across the two markets."

FERC also required the RTOs to report on what they "would need to do to implement day-ahead market coordination."

At Thursday's Board of Directors meeting, MISO Director Michael Curran said he was surprised by FERC's action. "Are we moving into a phase where if we don't fix it, [FERC will] fix it for us?" he asked.

The commission ordered the RTOs to report on proposed solutions, obstacles, and a timeline for overcoming them and making filings at the commission on the issues of:

- Interface pricing
- Capacity deliverability
- Day-ahead market coordination
- Firm-flow entitlement freeze date
- Use of commercial flow in the market-to-market process
- Modeling of the Ontario/Michigan phase angle regulators for congestion management

Room for Improvement

The commission noted the RTOs' progress in areas such as RTO-to-RTO data exchanges and financial transmission rights market coordination. It also acknowledged that the RTOs are moving to improve interchange optimization through coordinated transaction scheduling. (See related story, *PJM MRC/MC Briefs*, p.7.)

In December, the commission ordered a technical conference on Northern Indiana Public Service Co.'s complaint over the interregional transmission planning provisions in the RTOs' joint operating agreement (EL13-88). NIPSCO, a MISO member that is flanked by PJM in eastern Indiana and Illinois to its west, complained that the MISO-PJM seam is highly congested and that the RTOs have not approved a single cross-border transmission upgrade project under the JOA.

The commission also said the RTOs have completed a coordinated study on deliverability despite their differing modeling approaches. The study concluded that "more than 96% of MISO and PJM units are jointly deliverable to the aggregate MISO and PJM load footprint and [that] the total transmission capability between the two systems is quite significant."

The RTOs found that the transmission capacity in the MISO-to-PJM direction is fully subscribed, while capability in the PJM-to-MISO direction is "minimally utilized for capacity."

"Therefore, there could be benefit in the PJM-to-MISO direction, even in the near-term," the commission said.

FERC ordered the RTOs and their market monitors to respond to the commission's questions within 45 days with reply comments from stakeholders due April 27.

Interface Pricing

PJM and MISO have been working for two years to resolve differences in the way they price transactions at interface buses. Patton told FERC in January that transactions are overcompensated when expected to relieve a constraint and overcharged when expected to contribute to congestion. (See *Patton Asks FERC to Set Deadline on PJM-MISO Interface Pricing Dispute*.)

The RTOs agree that current methods are inaccurate because they both model the same constraints, resulting in double-counting. But they have been unable to agree on a solution.

Bowring told the commission that there will continue to be issues between the RTOs "as long as there are very substantial differences between the design for procuring capacity in MISO and the design for procuring capacity in PJM."

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MRC/MC Preview

7. ENERGY MARKET UP-LIFT SENIOR TASK FORCE (EMUSTF) Charter (11:00-11:10)

Members will be asked to approve the charter for the Energy Market Uplift Senior Task Force (EMUSTF). The MRC approved the creation of the task force in May to take a broad review of its method of providing Operating Reserve payments.

PJM said the changes were needed to reduce growing uplift costs resulting from Operating Reserves, "make whole" payments that ensure generators dispatched out of merit for system reliability don't operate at a loss.

See *PJM Proposes Operating Reserve Changes to Cut Uplift*

pjm

Energy Market Uplift Senior Task Force Charter

Draft

Mission

The Markets and Reliability Committee (MRC) approved the creation of the Energy Market Uplift Senior Task Force (EMUSTF) on May 30, 2013 to evaluate causes for energy market up-lift charges, develop ways to minimize them while maintaining prices that are consistent with operational reliability needs, and explore new methodologies for the allocation of make-whole payments.

PJM Proposes Operating Reserve Changes to Cut Uplift

April 30, 2013

PJM called Thursday for a broad review of its method of providing Operating Reserve payments, saying changes were needed to reduce growing uplift costs.

Operating Reserves are "make whole" payments that ensure generators dispatched out of merit for system reliability don't operate at a loss. Because they are collected through uplift charges and not reflected in day-ahead or real-time locational marginal prices, they cannot be hedged.

In 2012, operating reserve payments totaled a near record $649 million, 2.2% of total billing. Day-ahead operating reserve charges increased by about 90% in 2012, spiking in September after PJM increased the number of "must run" units dispatched in the day-ahead market.

- **Federal and state regulatory news briefs**

OHIO

Industry Likes Efficiency Rule, Wants Spending Cap

The Ohio Manufacturers Association favors the state's energy efficiency standards but wants a cap on how much utilities can charge for efficiency riders. The group said is still studying provisions of a bill that has been introduced to make changes in the program.

Meanwhile, wind energy supporters argued against a provision in the bill that would eliminate requirements that utilities buy a certain amount of in-state renewable energy.

More: *Columbus Business First; The Columbus Dispatch*

- **Voting summaries**

Trading Limits

Reason for Change: PJM proposed the cap because high bid volumes can make it difficult for the RTO's day-ahead markets software to reach solutions.

Impact: PJM can limit market participants to no more than 3,000 UTC transactions each in the day-ahead market when necessary for market operations. (A similar cap also applies to increment offers and decrement bids.)

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Members agreed to consider new rules to allow batteries, flywheels and other advanced storage technologies to bid in the capacity market. -more-

PJM Likely to Limit Capacity Imports
September 17, 2013
PJM will seek to set a limit on capacity imports before next year's Base Reliability Auction under a problem statement approved Thursday by the Planning Committee. -more-

Installed Reserve Margin May Increase for 2014
September 17, 2013
PJM's recommended Installed Reserve Margin (IRM) will increase slightly because of the increasing alignment of the RTO's peak demand with demand outside of the region, according to a preliminary analysis presented to the Planning Committee Thursday. -more-

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